

Economic Briefs

Week of May 25, 2007

Gas/Oil

Gas Prices: Worse Than '81 Oil Shock

http://money.cnn.com/2007/05/21/news/economy/record_gas_monday/index.htm?postversion=2007052112

Gasoline prices soared to levels never seen before as even the inflation-adjusted price for a gallon of unleaded topped the 1981 record spike in price that had stood for 26 years. And higher prices could be on the way as Americans get ready to hit the road for the Memorial Day holiday and the start of the summer driving season.

The Lundberg Survey, a bi-weekly gas price tracking service, put the price of a gallon of unleaded at \$3.18 in its latest reading released late Sunday (May 20), up more than 11 cents from its reading of two weeks ago. While gasoline had already been in record territory in current dollars, Trilby Lundberg, publisher of the survey, said this is the first time that her survey topped her 1981 record high when adjusted for inflation. The price of \$1.35 in 1981 works out to \$3.15 in current dollars, she said. The Iran-Iraq war, which started the year before, choked off oil supplies to the global market, causing that spike in prices.

Gas Price Spike Longest On Record

http://money.cnn.com/2007/05/23/news/economy/record_gas_wed/index.htm?postversion=2007052308

The 11th straight day of record high gas prices Wednesday (May 23) resulted in a new measure of pain for the nation's drivers -- the longest stretch of time with gas above \$3 a gallon, according to a closely-watched daily survey. And relief is no where in sight heading into the Memorial Day holiday that marks the start of the summer driving season. Prices continue to rise in most of the country, as the Midwest saw prices soar a nickel or more a gallon in one day in several states.

The national average has now been above \$3 a gallon since May 4, a string of 20 straight days. That passed the 19-day stretch prices stayed above \$3 last August, following Israel's invasion of Lebanon that took oil futures higher.

Oil Falls As Gasoline Supplies Build

http://money.cnn.com/2007/05/23/markets/oil_eia/index.htm?postversion=2007052310

U.S. light crude for July delivery fell 22 cents to \$65.29 a barrel on the New York Mercantile Exchange. Oil prices were flat just prior to the report's release. In its weekly inventory report, the Energy Information Administration said gasoline supplies, closely watched as the summer driving season gets underway and running low all year, rose by 1.5 million barrels. Analysts were looking for a gain of 1.4 million barrels. Refineries ran at 91.1 percent capacity, up about 1.6 percent from last week, more than expected.

Gas Prices Finally Retreat

http://money.cnn.com/2007/05/25/news/economy/gas_fri/index.htm?postversion=2007052516

Gas prices may have finally topped out just ahead of the Memorial Day holiday as a modest decline in the average price ended a streak of 12 days of record highs. It's unlikely the estimated 32 million drivers who will be hitting the road for the traditional start of the summer driving season will notice the savings, though, as the AAA survey Friday showed prices down only 0.2 cents to \$3.225. A modest decline in gas prices Friday ended a streak of 12 straight days of record-high prices.

Sales/Consumption

Gas Prices Blamed For Drop In Retail Sales

<http://www.kentucky.com/101/story/77323.html>

The International Council of Shopping Centers-UBS Index reported that its same-store sales fell 1.5 percent for the week ended Saturday compared to the year-ago period. On a year-over-year basis, the same-store sales tally increased by 1.9 percent. "Consumers faced strong headwinds over the last week with cooler-than-normal weather cutting into seasonal demand and record-high gasoline prices paring discretionary purchasing power," said Michael P. Niemira, chief economist for the ICSC.

US Consumer Confidence Down 2 Points

<http://www.fxstreet.com/news/forex-news/article.aspx?StoryId=e0b3fac9-6ece-493b-a313-f12e5735d4fa>

U.S. overall consumer confidence fell last week, according to an ABC News/Washington Post poll. The consumer comfort index fell 2 points to -9 in the week ended May 21, from -7 a week earlier. According to the survey, 40% of respondents expressed confidence in the economy, down from 41% the week before. Also, 62% of those polled said their own finances were in good standing, down from 64% in the prior week. In assessing the buying climate, 35% of respondents said it was good, unchanged from a week earlier.

Housing

Mortgage Apps Keep Climbing

http://money.cnn.com/2007/05/23/real_estate/mortgage_applications/index.htm?postversion=2007052309

Mortgage applications resumed their recent runup last week, despite an increase in interest rates, according to the Mortgage Bankers Association. The industry group's seasonally adjusted index of mortgage applications climbed 1.6 percent to 686.2 in the week ended May 18, from 675.5 one week earlier. The four-week moving average, which smoothes out volatility in the weekly figures, rose 1.2 percent.

New Home Prices Plunge, Sales Soar

http://money.cnn.com/2007/05/24/news/economy/new_home_sales/index.htm?postversion=2007052411

New homes sold at an annual pace of 981,000 in April, up 16.2 percent from the revised 844,000 pace in March. The price of a typical new home sold in April was off more than 10 percent from a year earlier. The gain in sales compared to March is the biggest jump in 14 years. But even with the April spike factored in, April sales came in 10.6 percent below year-earlier levels.

The median price of a new home sold in April plunged 10.9 percent from a year earlier to \$229,100. The new price reading was also down 11.1 percent from the March reading. It was the sharpest year-over-year drop in median new home prices since December 1970 and the biggest month-to-month drop on record.

Weakest Home Sales Since '03 Hit Values

http://money.cnn.com/2007/05/25/news/economy/home_sales/index.htm?postversion=2007052511

The National Association of Realtors said that the problems in the subprime mortgage market are now cutting into sales, as they limit the availability of financing for potential buyers. The group's closely watched report showed the annual pace of existing home sales fell 2.6 percent to 5.99 million in April, down from a revised 6.15 million pace in March. It's the first time the pace of sales fell below the 6 million level since June 2003.

Mortgage Rates Move Sharply Higher

http://money.cnn.com/2007/05/24/real_estate/mortgage_rates/index.htm?postversion=2007052411

The average rate on 30-year fixed-rate loans climbed to 6.37 percent for the week ending May 24, up from 6.21 the previous week. Last year at this time, 30-year mortgage rates averaged 6.62 percent. "We expect a gradual rise in mortgage rates over the remainder of the year with sales slipping further in the second half of the year. A gradual recovery returns toward the end of 2007 with modest increases in sales and construction during 2008," Frank Nothaft, Freddie Mac's vice president and chief economist, said in a statement.

Manufacturing/Output

Durable Goods Orders: Quiet Strength

http://money.cnn.com/2007/05/24/news/economy/durable_goods.reut/index.htm?postversion=2007052409

A report on new orders for costly and long-lasting U.S.-manufactured goods showed surprising strength in many readings, despite a weaker-than-expected overall increase of 0.6 percent in April. The April increase in the Census Bureau report was below the 0.9 percent rise in durable goods orders forecast by economists surveyed by Briefing. But the March figure was revised sharply upward to a 5 percent gain from a previously reported figure of 4.3 percent. The shift in orders between April and March was due largely to changes in the volatile transportation sector, where orders for both motor vehicles and civilian aircraft fell in April after strong increases in March.

Stripping out transportation goods, durable goods orders rose 1.5 percent in April, the same pace as in March after a small upward revision. Durable goods orders excluding defense rose 0.6 percent after an upwardly revised 5.2 percent gain in March.

Employment

Jobless Claims Higher Than Expected

<http://money.cnn.com/2007/05/24/news/economy/jobless.reut/index.htm?postversion=2007052408>

The number of Americans filing new claims for jobless benefits rose 15,000 last week, the Labor Department reported, but a more reliable barometer of labor trends dropped to its lowest level in more than a year. Initial filings for state unemployment insurance aid increased to a seasonally adjusted 311,000 in the week ended May 19, up from a revised 296,000 in the prior week and above Wall Street economists' expectations for an increase to 305,000.

But the four-week moving average of claims, which irons out weekly variations to give a clearer picture of underlying trends in the labor market, fell for a fourth successive week. This average dropped to 302,750 from a revised 306,250 in the prior week, hitting the lowest level since late February last year.

Kentucky

GE To Idle Up To 900 Workers For A Week

<http://www.courier-journal.com/apps/pbcs.dll/article?AID=/20070526/BUSINESS/705260402/1003>

The lag in new-home sales will sideline 800 to 900 GE dishwasher assembly line workers at Louisville's Appliance Park for a week in June. Employees who make lower- to midprice GE and Hotpoint dishwashers will receive about 70 percent of their wages and full benefits when not reporting for duty June 4-8.

Bluegrass Room Revenues Rise

<http://www.kentucky.com/101/story/78335.html>

Room revenues were up 15.7 percent in the Bluegrass region for the first three months of this year over the same period last year, the Bluegrass Hospitality Association announced. Room revenues totaled \$41.2 million in the region, which includes Fayette and surrounding counties, up from \$35.6 million for the first quarter of 2006. Occupancy for the quarter was 51.3 percent.

Jobless Rates Down In 102 Counties From April 2006 To April 2007

<http://www.workforce.ky.gov/newspub.htm#MAy%2029,%202007>

Unemployment rates dropped in 102 Kentucky counties between April 2006 and April 2007, rose in 12 counties and remained the same in six counties, according to the Kentucky Office of Employment and Training, an agency of the Education Cabinet. Woodford County recorded the lowest jobless rate in the commonwealth at 3.4 percent. Jackson County recorded the state's highest unemployment rate — 12.8 percent.

Kentucky's Unemployment Rate Drops In April

(Broken Internet Link)

Kentucky's seasonally adjusted unemployment rate fell from 5.4 percent in March 2007 to 5.3 percent in April 2007, its lowest point since December 2004, according to the Office of Employment and Training. April 2007's jobless rate also was below April 2006's rate of 5.8 percent.

"Kentucky's April 2007 unemployment rate of 5.3 percent was the lowest rate we have had since December 2004 when it also was 5.3 percent. Kentucky was one of 13 states that had a lower unemployment rate in April 2007 than in March 2007," said Carlos Cracraft, the department's chief labor market analyst.

Two of the 11 major nonfarm job North American Industry Classification System (NAICS) sectors reported employment increases in April, while eight decreased, and one was unchanged.